

EXHIBIT A
DOCKETS UE-19___/UG-19___
WITNESS: MARGARET F. HOPKINS

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of:

PUGET SOUND ENERGY

**Petition For an Order Authorizing Deferral
Accounting and Ratemaking Treatment for
certain Short-life Technology Investments**

Docket UE-19
Docket UG-19___

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF

MARGARET F. HOPKINS

ON BEHALF OF PUGET SOUND ENERGY

APRIL 10, 2019

PUGET SOUND ENERGY

**PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
MARGARET F. HOPKINS**

CONTENTS

I. INTRODUCTION.....1

II. PSE IS APPROPRIATELY INVESTING IN IT SYSTEMS TO
SUPPORT CUSTOMER NEEDS NOW AND IN THE FUTURE.... 2

III. CONCLUSION..... 10

1 **PUGET SOUND ENERGY**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**
3 **MARGARET F. HOPKINS**

4 **I. INTRODUCTION**

5 **Q. Please state your name and business address.**

6 A. My name is Margaret F. Hopkins and my business address is 355 110th Ave. NE,
7 Bellevue, Washington 98004. I am employed by Puget Sound Energy (“PSE”) as
8 Vice President and Chief Information Officer.

9 **Q. Please briefly describe your responsibilities as Vice President and Chief**
10 **Information Officer of PSE.**

11 A. I am responsible for leading PSE’s Information Technology (“IT”) and cyber
12 security program and building and managing the infrastructure, technologies,
13 systems, and data that enable PSE to support our customers and achieve business
14 success. I am also responsible for PSE’s Business Excellence program, an
15 enterprise-wide initiative to drive efficiencies by removing barriers to
16 productivity, streamlining processes and promoting innovation.

17 **Q. Briefly describe your education and experience prior to your employment at**
18 **PSE.**

19 A. I hold a Bachelor of Science in Mathematics from The Pennsylvania State
20 University. I began my career at Philip Morris, where I served in several technical
21 and leadership positions. From there, I worked at The Chubb Corporation as

1 Assistant Vice President, and later at Safeco Insurance as Vice President of IT
2 Operations. In 2009, I joined PSE as Director of Infrastructure and in 2013, I
3 assumed my current position.

4 In addition to my position at PSE, I am Co-Chairman to the Technology Advisory
5 Council for the American Gas Association and Edison Electric Institute. I also
6 serve on the Member Executive Committee of the Electricity Information Sharing
7 and Analysis Center, the trusted source for Electricity Subsector Security
8 Information for North America.

9 **Q. Please summarize the purpose of your testimony.**

10 A. My testimony provides an overview of PSE's IT strategy and outlines the need for
11 PSE's proposed accounting petition.

12 **II. PSE'S INVESTMENTS IN IT SYSTEMS SUPPORT**
13 **CUSTOMER NEEDS NOW AND IN THE FUTURE**

14 **Q. Please provide a high-level overview of the role IT Systems play in the**
15 **transformation of the utility industry.**

16 A. Utilities are undergoing tremendous change and transformation. Rapid
17 advancements in IT have altered the methods utilities use to operate and
18 transform, as they become increasingly dependent on technology solutions to
19 enable business objectives such as reliability, resource efficiency, and customer
20 service. Technology assets are as foundational as the classic pipes and wires that
21 deliver service to our customers and are inextricably linked to advancing,
22 securing, and enabling the day-to-day operation of our gas and electric service.

1 Digitalization, or the use of digital technologies to transform business operations,
2 is reshaping how utilities operate and is necessary to meet customer needs more
3 efficiently and responsively. Distributed generation, grid modernization, data-
4 driven customer expectations, mobile field workers, predictive maintenance
5 schedules, and customer self-service are examples of how digital modernization
6 enables greater efficiency and increased speed to improve customer satisfaction.

7 The evolution of digital customer engagement has changed customer behaviors
8 and expectations. Customers are demanding information on their energy usage,
9 payment history and service options; and they want the ability to interact with
10 their utility 24/7, on their own terms, and via the communication channel(s) they
11 prefer. Those channels can include online, mobile, interactive voice response
12 systems, or simply a telephone call to an agent at the call center. Regardless of the
13 channel, PSE customers expect to have the same (consistent) information
14 available to easily transact business with us. PSE's Get To Zero ("GTZ")
15 program, was launched in response to these changing expectations with the
16 ultimate objective of improving the end-to-end customer experience for all PSE
17 customers.

18 **Q. Are there challenges associated with this digital transformation?**

19 A. Yes. While the transition to digital solutions creates opportunities and
20 improvements for our customers, it also introduces risks and challenges that must
21 be taken into consideration with each IT investment. The cyber threat to the
22 electric grid, both nationally and globally, has driven a change in how IT

1 solutions are architected. Every system must be designed not only to meet
2 business needs, but to meet them in a secure manner that protects the grid and
3 maintains the privacy of our customers' and employees' sensitive information.

4 **Q. Are there other challenges?**

5 A. Yes. The significant increase in technology investment to support the business
6 needs has created challenges from an expense and regulatory perspective. As new
7 technology solutions (and the associated hardware and software assets) are
8 deployed to meet business needs, maintenance agreements must be purchased to
9 ensure vendor support, system updates and ongoing security patches. Without
10 these maintenance agreements, we cannot guarantee the reliability of the systems,
11 nor their recoverability. Finally, the impact of regulatory lag is amplified as the
12 proportion of IT capital spending has increased relative to total capital spend.
13 Traditional regulatory recovery mechanisms were developed to support
14 deployment of assets with longer life spans. Technology investments typically
15 have a depreciable life of 10 or less years and most often 3-5 years. The typical
16 27 month regulatory lag has a far greater impact on these short lived assets than
17 traditional transmission and distribution investments, and therefore supports the
18 requested deferred accounting treatment.

19

1 **Q. Please provide an overview of the IT spending for which PSE seeks to defer**
2 **costs through this accounting petition.**

3 **A.** As explained in the petition, PSE is requesting to defer depreciation expense
4 associated with GTZ related projects with service lives of 10 years or less.

5 **Q. Please describe the GTZ initiative and the systems expenditures to support it.**

6 **A.** The GTZ effort is a multi-year, customer-focused, digital transformation initiative
7 with the ultimate objective of improving the end-to-end customer experience for
8 all PSE customers. The overarching mission of the program is to reduce the need
9 for customers to call PSE's contact center to resolve issues by eliminating pain
10 points for customers through improvements to applications, systems and
11 processes that make our customer experience easy and accurate regardless of
12 channel preference. The program is broken into four basic parts: 1) Customer
13 Interface; 2) Billing Payment Credit & Collections; 3) Integrated Work
14 Management; and 4) Data Management & Analytics.

15 **Q. Please describe the Customer Interface program.**

16 **A.** Under the Customer Interface program, PSE is revitalizing customer facing
17 applications such as the website, mobile app, integrated voice response unit
18 ("IVR") and social platforms, providing customers with a more robust and easy-
19 to-use experience consistently across all channels.

1 **Q. Please describe the Billing Payment Credit & Collections program.**

2 A. Within the Billing, Payment, Credit & Collections program, PSE is evaluating and
3 improving billing and payment functions, investing in applications to assist low
4 income customers with scheduling agency appointments and applying financial
5 assistance grants, enhancing billing systems to improve multiple billing processes
6 and performance, updating payment options for customers and establishing future
7 state capabilities which effectively leverage functionality being introduced as a
8 part of PSE's Advance Meter Infrastructure program.

9 **Q. Please describe the Integrated Work Management program.**

10 A. Within the Integrated Work Management program, PSE is focused on automating
11 field work activities, so PSE can plan, schedule and close out work in a way that
12 creates more scheduling accuracy and overall transparency for customers. This
13 investment establishes the technology framework which will allow PSE to
14 provide greater self-service optionality to customers and increase overall
15 efficiency for completing work in the field.

16 **Q. Please describe the Data Management and Analytics program.**

17 A. The Data Management and Analytics program is focused on improving the
18 accuracy and quality of appropriate customer and asset data to support all project
19 work, establishing new processes for enterprise data governance and building out
20 the appropriate framework to better analyze data to help improve the customer
21 experience through various channels.

1 **Q. Does GTZ provide benefits to PSE's customers?**

2 A. Yes, the GTZ program is a multi-faceted, customer-first initiative that is intended
3 to improve the customer experience and benefit all PSE customers.

4 **Q. What steps has PSE taken to determine its customers' preferences?**

5 A. In the initiation of the program, PSE canvassed customers across its service
6 territory to hear directly from them what their pain points were and what would
7 elevate PSE from just their energy provider to a company they enjoy doing
8 business with. This extensive work with customers allowed PSE to understand
9 what specific changes to the customer experience our customers are seeking.
10 Understanding what customers want, in their own words, laid the foundation for
11 the GTZ program and its mission to do business so effectively that customers no
12 longer experience issues that drive them to call. In addition to customer focus
13 groups, PSE also spent time evaluating what others are doing in the industry to
14 further understand where we could make improvements. At the same time, we
15 explored our own data to help focus our efforts. In our analysis we found that
16 customers contact PSE for five general reasons: 1) customers need help
17 understanding charges on their bill; 2) customers want to pay their bill; 3)
18 customers need financial assistance; 4) customers are experiencing an interruption
19 in their service; and 5) customers have a planned service event. Within the GTZ
20 program we refer to these categories as the "Super 5" and they have become the
21 framework for the initiatives we are investing in to drive benefits to customers.

1 **Q. Please summarize the focus of the GTZ program.**

2 A. The GTZ program is a multiyear initiative comprised of many different projects
3 linked under one umbrella. At a high level, PSE is focusing on making each
4 customer facing tool or process easier and more consistent for our customers
5 across various channels so customers can manage their service when it works best
6 for them and in a way that meets their needs even if it is outside of normal
7 business hours. Our focus is to make doing business with PSE easy, and to
8 anticipate our customers' needs and proactively communicate with them to better
9 manage their service. PSE is also investing in automation to help bring
10 transparency to work being done in the field allowing customers access to more
11 timely information and opportunities to self-serve including tighter appointment
12 scheduling windows. Through this transformation we are also focusing on making
13 customer information more secure to help safeguard sensitive data from external
14 threats. As technology evolves and influences customer expectations around us, it
15 is critically important that PSE continues to keep pace with that evolution
16 appropriately leveraging new technologies to improve the customer experience
17 and to meet our customers' expectations.

18 **Q. What features of the GTZ initiative would be eligible for deferral under the**
19 **petition?**

20 A. Among the GTZ program investments that would be eligible for deferral under
21 the petition are the following customer transformation projects:

- 1 • Investments in a completely new web platform that consists of new
2 technology infrastructure, an improved user experience with a new customer
3 preference center, and an integrated campaign management feature tied to a
4 new communication gateway to drive proactive communications to customers.
- 5 • Deliver to our customers a new mobile application that will allow for a more
6 convenient mobile experience and include many of the self-service
7 transactional capabilities our customers are seeking.
- 8 • Invest in improving our field operations through the roll out of integrated
9 work management to various PSE business units. The investment in this
10 automation will improve our operational efficiency, integrate our technology
11 providing greater transparency to customers, and ultimately improve our
12 ability make and keep commitments to our customers for work they schedule
13 with us.
- 14 • Implementation of a number of IVR improvements that transform the
15 experience for those customers who elect to call. In this area we will deliver a
16 new modularized IVR system introducing a dynamically routed experience for
17 customers, simplify call routing within the IVR and add new self-service
18 options for customers to choose from. Additionally, within the IVR, we will
19 implement new technology to help categorize calls and improve customer
20 service quality.

